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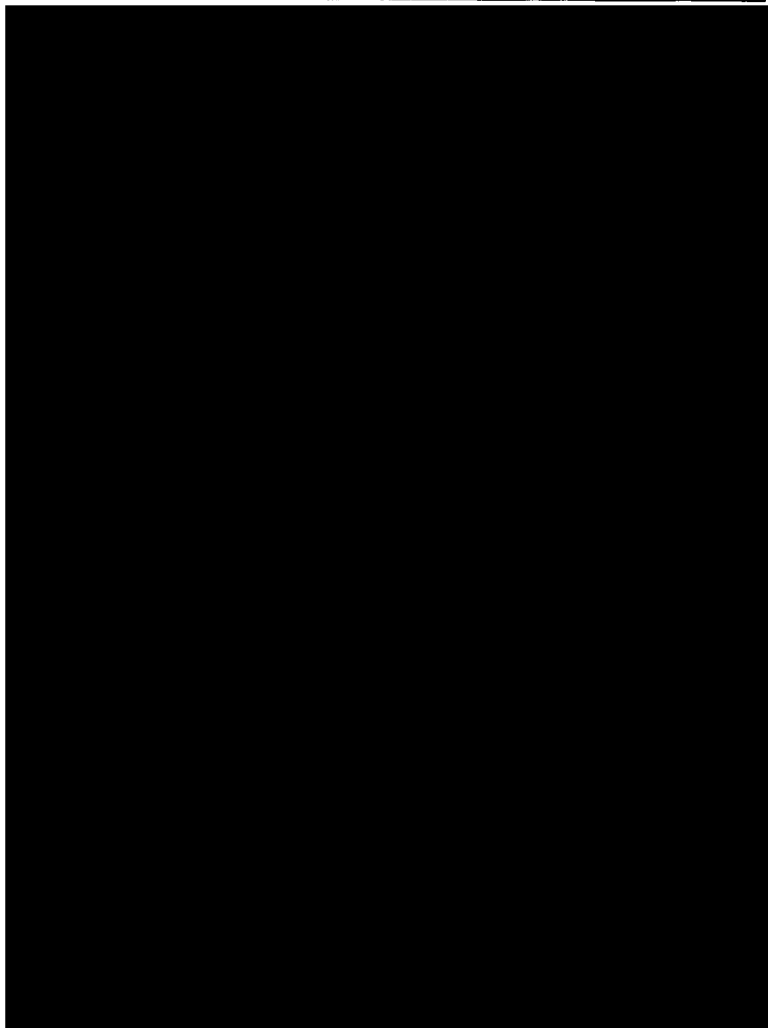
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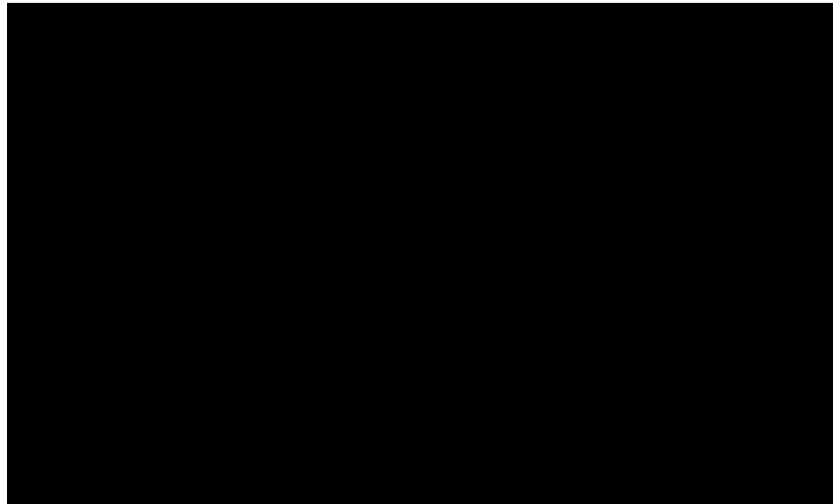
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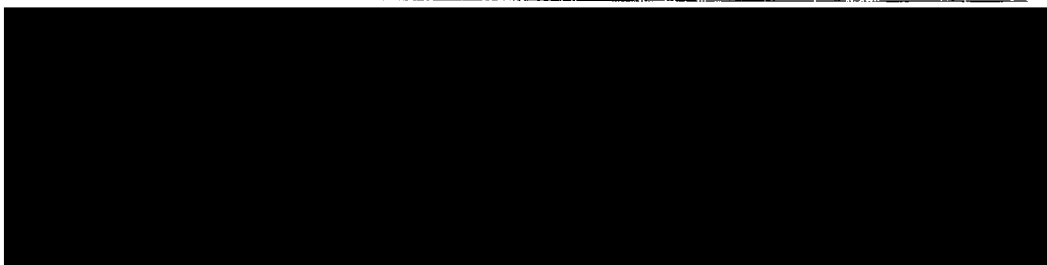
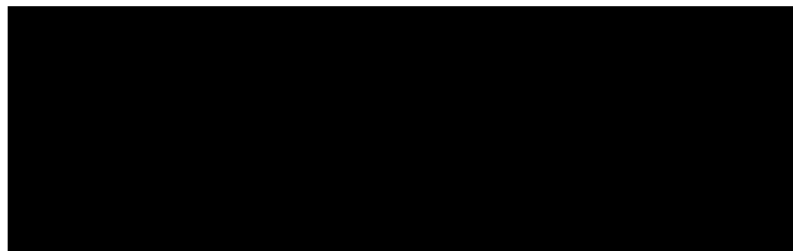
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Letter From South Asia: Coping With Indian Regional Policy [REDACTED] 51

The South Asian states bordering India coexist uneasily with their giant neighbor. Each is experiencing strains in its relations with New Delhi, and all are wary of India's intentions. [REDACTED]



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Letter From South Asia: Coping With Indian Regional Policy [REDACTED]

The South Asian states bordering India—Pakistan, Bangladesh, Sri Lanka, Nepal, and Bhutan—coexist uneasily with their giant neighbor. Each is experiencing strains in its relations with New Delhi. Although these states often engage in finger-pointing at India to explain problems they have failed to solve themselves, all are wary of India's intentions:

- They fear that precedent—India's trade impasse with Nepal [REDACTED] for example—suggests India ultimately wants to dictate the security policies of its neighbors.
- Each has unresolved disputes with India that have soured relations.
- They believe India shows little interest in taking their concerns into account in regional disputes.
- They dislike India's frequent reliance on coercion as a policy tool. [REDACTED]

As a result of their differences, India's neighbors have instituted strategies of reducing dependence on South Asia's leading power and looking outside the region for friends. Their tactics differ:

- Nepal [REDACTED] apparently willing to risk their relationships with India, have tried confrontation to end stalemates with New Delhi. [REDACTED]

- After years of little progress resolving their country's host of problems with India, Bangladeshi officials are saying they will try a more neighborly approach.
- Pakistani Prime Minister Bhutto's recent meetings with Indian Prime Minister Gandhi suggest the two sides intend to continue talking, although [REDACTED] neither anticipates better than slow progress on their disputes.

Their strains with India are leading the neighboring states to press Washington to take sides against India, and most have turned to China as a potential counterbalance. India's disputes with surrounding countries are polarizing the South Asian Association for Regional Cooperation. [REDACTED]

Where the Regional Relationships Stand
Stagnation and stalemate characterized India's relations with its neighbors throughout the spring. [REDACTED]

Pakistan. [REDACTED]

[REDACTED] The key agreement the two leaders signed at their December meeting—not to attack one another's nuclear facilities—remains unratified. Nevertheless [REDACTED] Gandhi's stop in Islamabad this summer might result in progress on the Siachen Glacier dispute. [REDACTED]

Bangladesh. The last round of Indo-Bangladeshi watersharing talks by a special bilateral commission resulted in a decision to extend the commission's deadline for submitting its report. No [REDACTED] early movement on other old problems, including refugee repatriation and [REDACTED]

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the return to Bangladesh of a small corridor of land that would connect it to Tin Bigha, a tiny Bangladeshi exclave located just inside India. [REDACTED]

Sri Lanka. Newly installed Sri Lankan President Premadasa's preoccupation with domestic affairs quickly led him into confrontation with New Delhi. [REDACTED] Premadasa is pressing for a quick Indian troop withdrawal from Sri Lanka as part of a plan to undercut an extremist Sinhalese group that is vehemently anti-Indian. [REDACTED]

[REDACTED] his public pressure on Gandhi has pushed the Indian leader into a corner and made negotiations over a withdrawal timetable highly contentious. [REDACTED]

Nepal. India continues to differ over an agenda for talks to end the dispute that erupted between them three months ago after the expiration of their trade and transit treaty. [REDACTED]

[REDACTED] India plans to push Nepal to open talks with a discussion on the framework of the relationship. [REDACTED] Nepalese officials are uncertain how they want to restructure the traditionally close bilateral ties. The stalemate has yet to result in serious negotiations. [REDACTED]

Looking Ahead

As a result of their differences with India, the leaders of the other South Asian states are seeking to minimize New Delhi's influence in the region. All are seeking to reduce dependence on India, and most have some type of defense relationship with China that they see as a way to counterbalance India. Each has different tactics to deal with New Delhi:

- Nepal hopes to develop a national life unattached to the Indian economy. [REDACTED] King Birendra plans to propose changes in the treaty that has defined Indo-Nepalese relations since 1950. The King's proposed revisions affect the most sensitive areas of the relationship: Nepal's security ties to third countries and the rights each country accords to the other's nationals. Nepal's economy is suffering as a result of the impasse with India—real growth in gross domestic product during the fiscal year ending 15 July dropped to 1.5 percent from 7.1 percent during

the previous years—but Nepalese officials seem intent on weathering economic hardship in exchange for a redefined relationship.

- Benazir Bhutto seems intent on keeping relations with New Delhi on an even keel by engaging the Indians in talks on the many disputes between the two countries. Since her election last year, Bhutto has kept relations more cordial than they were during much of the Zia era in Pakistan. [REDACTED] reports cite the tenuous, step-by-step progress in relations—for example, their agreement to joint patrols along the Punjab border—as evidence of the new Indo-Pakistani engagement. [REDACTED]

[REDACTED] both leaders' discreet management of problems such as Indian allegations of Pakistani support for Sikh and Muslim militants. Differences the two leaders aired at their joint press conference after their most recent meetings indicate, however, that they will not back down on the most sensitive issues, notably the Kashmir dispute.

- After several years of stalemate with India, Bangladeshi leaders appear more hopeful about the bilateral relationship. Bangladeshi officials recently [REDACTED] were working hard to improve ties. [REDACTED] they believe the Tin Bigha dispute may be resolved soon, and Dhaka also has submitted a new watersharing proposal.
- Sri Lanka, which claims that Indian troops have failed to do their job against Tamil militants and that Premadasa has the right to tell the Indians to leave, may be preparing to increase pressure on New Delhi to withdraw the troops that have been in Sri Lanka under an accord signed in 1987. [REDACTED] Premadasa may move to close the Indian High Commission and break relations, abrogate the accord, and attempt to confine Indian troops to their barracks.
- [REDACTED] India's neighbors are looking to China—an inexpensive and reliable arms supplier to most of the small South

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Asian states—as at least a psychological foil against India. [REDACTED]

Some Underlying Factors

The regional concerns that have led the smaller South Asian states to put distance between themselves and India stem partly from India's series of moves in South Asia beginning with the 1987 Indo-Sri Lankan accord:

- India's neighbors see the Sri Lanka intervention as a sign of India's willingness to violate the sovereignty of neighbor states. [REDACTED] the irony of India's involvement in Sri Lanka—the Indians are fighting militants they once armed and trained—[REDACTED] raise questions about the seeming haphazardness of Indian policy.
- India's military operation last year to rescue the regime in the Maldives is widely viewed as evidence of New Delhi's intent to assume the role of regional policeman.
- The Indo-Nepalese dispute, [REDACTED] has further impressed India's neighbors with New Delhi's willingness to throw its weight around in the region.
- Some South Asian officials see these recent Indian actions against the backdrop of earlier Indian moves in the subcontinent that includes the forced absorption of Goa and Sikkim. [REDACTED]

Regional resentment of India also grows from a fuzzy belief in South Asia that India is far less magnanimous than a regional leader should be. The small South Asian countries believe that India, as the dominant economic and military power in the area, should make concessions to them as gestures of good will. [REDACTED] Bangladeshi officials, for example, question why India continues to hold up the Tin Bigha transfer. [REDACTED]

Bhutan: The Odd Man Out?

Longtime South Asia watchers point to Bhutan as the lone example of an Indian neighbor reducing dependence on India without ruffling New Delhi's feathers. Bhutan is quietly replacing Indians in its government, and King Wangchuck occasionally takes foreign policy stands different from India's.

[REDACTED] however, Bhutan's quiet moves are starting to annoy New Delhi. The [REDACTED] Indian Foreign Secretary traveled to Thimpu in early June to state Prime Minister Gandhi's displeasure with Bhutanese criticism of India's South Asia policy and treatment of Indian expatriates—about 300 of whom recently have had contracts terminated by the Bhutanese Government. [REDACTED]

[REDACTED] although India was clearly South Asia's dominant power, it often acted as an "aggressive bully" rather than as a responsible, mature leader. [REDACTED]

Domestic compulsions drive several of the neighbors to put distance between themselves and New Delhi.

[REDACTED] Bangladeshi President Ershad often blames India for some of his problems, including the floods that periodically devastate his country and the tribal violence in the Chittagong Hill Tracts. Such accusations reflect the longstanding South Asian habit of shifting blame to outsiders by employing the "foreign hand" theme—allegations of external involvement in domestic affairs. Similar domestic compulsions prompted Premadasa to make his demand for a quick Indian troop withdrawal. He hoped his tough posture would undercut the appeal of the anti-Indian Sinhalese insurgents in the south. [REDACTED]

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Finally, South Asian conspiracy theory crops up to fuel regional paranoia about Indian intentions. Some Bangladeshis, for example, still echo the allegation heard earlier in the region that India engineered the coup in the Maldives last year as an excuse to send in a rescue force and gain more of a hold on the island chain. Sri Lanka's Premadasa has played on such concerns about the Indians [REDACTED]

Who Is at Fault

India suffers from a lack of long-term policy planning that could help it respond more thoughtfully to events in South Asia, [REDACTED]

[REDACTED] Indian foreign policy making sometimes becomes muddled when the Prime Minister's office takes over hot issues that had been handled by middle-level bureaucrats. [REDACTED]

Gandhi's own use of the "foreign hand" theme—which he already has employed as part of this year's national election campaign in India—also creates tensions with neighbors. Although Indian officials have muted their allegations about Pakistani backing of Punjabi militants, for example, they probably will allege during the election campaign that Pakistan supports Kashmiri militants. Gandhi could also create more problems with Bangladesh if he tries to win voters in northeastern states by pledging to push out the region's tens of thousands of Bangladeshi refugees. Many [REDACTED] in the region voiced concerns that Gandhi's uncertain future at the polls later this year will push him away from conciliatory policies toward the neighboring states. [REDACTED]

Indian officials, however, often have legitimate reasons for exasperation with the neighbors. Although Bangladesh faults India for its biased watersharing proposals, for example, Dhaka has offered few ideas of its own. Nepal has asked for trade concessions

from New Delhi, but Indian officials argue that Kathmandu has offered no quid pro quo. [REDACTED]

[REDACTED] the Indians are pressing the Nepalese to make foreign policy decisions with more of an eye to satisfying Indian security interests, particularly India's desire to limit Chinese influence in the region. [REDACTED]

Outlook

New Delhi's management of its relations with its neighbors has proven counterproductive for India throughout the region, alienating New Delhi from the rest of South Asia. To avoid growing dependence on New Delhi, the surrounding countries have either turned inward or looked outside the region for friends. India has taken a place among the world's middle powers by virtue of its large military and economy, but its uncompromising regional policies are at the same time driving its neighbors and natural allies out of the Indian orbit. Some observers in New Delhi liken Indian regional policy to the growing pains of an adolescent power learning how to deal with the responsibility that comes with military and economic dominance and a resilient political system. [REDACTED]

India's regional imbroglios will lead the small South Asian countries to press the United States to take sides in bilateral disputes. Washington already has faced questions about its stand on the Indo-Nepalese and Indo-Sri Lankan disputes. India's differences with other neighbors—such as its disputes with Bangladesh over refugee repatriation and watersharing—could prompt more requests for the United States to choose sides. Alternatively, the smaller countries may look to Washington for assistance that New Delhi would regard as nonthreatening, such as Nepalese requests for help after its trade impasse with India. [REDACTED]

The poor state of India's relations with its neighbors will jeopardize the future of the South Asian Association for Regional Cooperation. Sri Lanka threatened to boycott meetings several times since

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1987, and the Sri Lankan Foreign Minister finally did stay away from the ministerial conference held in July. Colombo was protesting India's refusal to pull its troops off the island. New Delhi continues to contend that the Association is a multilateral organization whose charter does not address bilateral problems like the Indo-Sri Lankan dispute. [REDACTED]

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Sri Lanka's Poverty Alleviation Program

A proposed poverty alleviation program that began as a campaign pledge last fall has become a cornerstone of Sri Lankan President Premadasa's economic policy. To undermine popular support for extremist opposition groups and spread economic resources more widely, Premadasa has promised a system of family allowances that amounts to a stipend of \$74 a month for two years to Sri Lankans earning less than \$24 a month. Approximately half of the stipend is to be used to purchase commodities from state-owned cooperatives, and the remaining half is to accumulate in a savings account at the national savings bank for investment in a "productive enterprise" at the end of the 24-month period. The Sri Lankan Government hopes that the program will enable many poor families to move up out of poverty. [REDACTED]

In our view, Premadasa, who took office in January, has designed a populist program addressing only the immediate concerns of the voters and failed to address long-term consequences. Although the program, called Janasaviya, dominates the Sri Lankan budget, it runs a high risk of failure. Campaign promises that it would be implemented before 13 April—the date when most Sri Lankans mark the beginning of a new year—were not met, and Sri Lanka's budget deficit and inflationary economy along with political instability will make implementation difficult, if not impossible. [REDACTED]

The Plan

Premadasa proposed the poverty alleviation program during the electoral campaign to win support from the poor and to combat the political unrest in southern Sri Lanka spearheaded by the radical Sinhalese Janatha Vimukthi Peramuna, which many poor, unemployed villagers have joined. By proposing the program Premadasa also sought to put distance between himself and the administration of his predecessor, President Jayewardene. [REDACTED]

Sri Lanka's Economy: Adrift in Rough Seas

With a population of 16.7 million people and a per capita gross domestic product of less than \$400, Sri Lanka represents a market about the size of a modest US city. During the first half of 1989, Sri Lanka's economy has been impeded by severe drought and flooding, the delayed effects of the political turmoil in late 1988, and the uncertainties of the new Premadasa administration. Inflation and unemployment are high, and production in the predominantly agricultural economy is down. [REDACTED]

Business closures, strikes, and sharp drops in tourism and foreign investment have disrupted production and cut into government revenues. The surface transportation system has suffered heavily from terrorist activities and continues to be a target for antigovernment elements. All of this, coupled with the conservative consumption and purchasing patterns of Sri Lankan consumers, poses a severe challenge to Premadasa's unproven economic team. [REDACTED]

The program has several aspects in addition to the system of family allowances. One is the "million jobs scheme" in which the government plans to create public-sector jobs for the poor with preference given to those currently covered by food stamps. The government also is encouraging banks to offer credit without the normal collateral requirements for the poor who wish to be self-employed. In addition, 4 million schoolchildren are to be given a free midday meal. [REDACTED]

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